

## Message Text

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15  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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FM AMEMBASSY LUXEMBOURG  
TO SECSTATE WASHDC 5385  
INFO USDOC WASHDC  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY THE HAGUE  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
USMISSION EC BRUSSELS UNN

LIMITED OFFICIAL USE LUXEMBOURG 0858

E. O. 11652: N/A  
TAGS: EINV, LU, ECON  
SUBJECT: U. S. INVESTMENT OVERSEAS: GOODYEAR PLANS MAJOR  
NEW INVESTMENT IN LUXEMBOURG

SUMMARY: IN THE COURSE OF DISCUSSIONS DURING THE VISIT OF  
AMBASSADOR GINN TO ITS FACILITIES, GOODYEAR INFORMED US OF  
ITS \$70 MILLION EXPANSION PROGRAM FOR LUXEMBOURG. THIS  
INVESTMENT AWAITS FORMAL APPROVAL OF THE U. S. BOARD, BUT  
GOODYEAR LUXEMBOURG OFFICIALS ARE FULLY CONFIDENT OF A  
POSITIVE DECISION. THEY WERE AUTHORIZED TO DISCUSS THE  
PLANNED NEW INVESTMENT WITH THE GOL AND RECENTLY DID SO.  
MOST OF THIS AMOUNT WILL BE DIRECTED TO EXPANSION AND  
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MODERNIZATION OF ITS TIRE FACTORY. OVER 350 NEW JOBS WILL BE

CREATED. END SUMMARY.

1. BACKGROUND: GOODYEAR RECENTLY CELEBRATED ITS 25TH YEAR OF OPERATION IN LUXEMBOURG AND IS THE OLDEST ESTABLISHED AND LARGEST U.S. MULTINATIONAL COMPANY IN THE GRAND DUCHY. THE "HISTORICAL DOLLAR" VALUE OF ITS INVESTMENTS TOTALS \$138 MILLION (OUT OF AN ESTIMATED TOTAL U. S. DIRECT INVESTMENT IN LUXEMBOURG OF \$360 MILLION). THIS FIGURE SERIOUSLY UNDERESTIMATES ITS CURRENT REAL OR REPLACEMENT VALUE. APART FROM THE STEEL INDUSTRY, GOODYEAR IS THE LARGEST EMPLOYER IN LUXEMBOURG WITH 3,465 EMPLOYEES.

-- GOODYEAR'S COMPLEX OF FACILITIES IN LUXEMBOURG IS CONSIDERED BY COMPANY EXECUTIVES TO BE UNIQUE FOR THE FIRM AND, INDEED, FOR THE INDUSTRY. AN ULTRA-MODERN INTERNATIONAL TECHNICAL RESEARCH CENTER AND WIRE, FIBER AND MOLD PRODUCTION FACILITIES HAVE BEEN ADDED TO THE TIRE FACTORY OVER THE YEARS. ITS SATISFACTION WITH LUXEMBOURG BASED ON HIGH WORKER PRODUCTIVITY AND EXCELLENT MANAGEMENT-LABOR-GOVERNMENT RELATIONS HAS LED GOODYEAR TO CONSOLIDATE ITS CONTINENTAL EUROPEAN OPERATIONS HERE TO A LARGE EXTENT. DURING THE 1975 RECESSION, FOR EXAMPLE, TIRE OUTPUT AT THE LUXEMBOURG PLANT FELL OFF ONLY 20 PERCENT BECAUSE OF CONCENTRATION OF PRODUCTION HERE.

2. COMMENT: GOODYEAR'S INVESTMENT PLANS MUST HAVE BEEN GLAD TIDINGS FOR THE GOL. STEEL, THE COUNTRY'S DOMINANT INDUSTRY, IS STILL AILING AND THE PROGNOSIS IS NOT FOR RAPID RECOVERY. U. S. MULTINATIONAL INVESTMENTS FORM THE SECOND-MOST IMPORTANT SECTOR OF THE ECONOMY AND THEIR EXPANSION COULD ABSORB SKILLED WORKERS DISPLACED FROM THE STEEL INDUSTRY. ALTHOUGH THE INVESTMENT WOULD NOT BEGIN BEFORE 1978 AT LEAST IT WILL GIVE THE GOL CONFIDENCE OF A NEEDED ECONOMIC INFUSION. AFTER APPROACHING A NEAR-SATURATION POINT FOR NEW DIRECT INVESTMENT IN THE EARLY 1970'S BOOM BECAUSE OF A CHRONIC LABOR SHORTAGE, LUXEMBOURG NATIONAL AND LOCAL AUTHORITIES ARE AGAIN ACTIVELY SEEKING NEW INDUSTRY. END COMMENT. GINN LIMITED OFFICIAL USE

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## Message Attributes

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